

CITY OF VANCOUVER
Clark County, Washington
January 1, 1994 Through December 31, 1994

Schedule Of Findings

1. The City Of Vancouver Should Improve Controls Over The Parking Ticket System

The city issued in excess of 10,000 parking infractions from January 1, 1995, through March 28, 1995, with fines ranging from \$5 to \$32. Our examination of the system for issuing and recording tickets, and collecting fines on these infractions revealed the weaknesses discussed below. Because of these weaknesses, we were unable to determine that all fines which should have been collected were collected, or whether all cash received from parking tickets was properly deposited.

a. Inadequate Segregation Of Duties

We found inadequate segregation of duties, in part, because the same individual in charge of the parking system, collects parking fines, records payments, and approves dismissals. No one individual should have complete control over an entire transaction. Without this separation, money from parking fines can be misappropriated and the records altered to conceal the loss.

b. Ticket Accounting Incomplete

The city issues parking tickets both manually and electronically. Our review of the manually prepared parking tickets disclosed several problems. For example, ticket books are not properly assigned or used in order, violation codes sometimes do not agree with the penalty amount, and a file copy of the ticket does not exist. In addition, because some ticket numbers cannot be accounted for, we were not able to determine whether these transactions were properly recorded or that any fines from these transactions were deposited.

c. Ticket Control Account Not Used

The city does not use a control account for monitoring parking ticket infractions issued. Consequently, the city is unable to verify whether all ticket issuances and payments are properly recorded or whether adjustments are properly authorized. Additionally, the city was not able to provide an accurate listing of all parking tickets outstanding at the time of our audit.

d. Ticket Dismissals Not Properly Documented

During the period of our examination, the total fines and/or penalties for several hundred parking infractions were dismissed or modified by a number of city employees, some without proper authorization to make ticket adjustments. Adequate documentation to support these modifications was often not retained, making it impossible for us to determine if the correct fines or penalties were

paid. For example, our tests discovered many dismissals described as ". . . paid with arrangements . . ." or ". . . paid \$10 . . ." with no description or documentation indicating why the arrangements were made, or why a higher fine was not paid. These dismissals are not reconciled to the parking ticket system, nor do the reasons for dismissal always fall within the city's written policy.

e. System Access Controls Weak

We discovered 17 different employees who have unlimited access to the parking system allowing them to add, change or delete records. Many of these employees no longer work in this department or have responsibilities in this area.

f. Receipts Not Issued For Individual Tickets

When payments are received through the mail or made in person, city cashiers do not immediately prepare a prenumbered treasurer's receipt. Rather, these payments remain unrecorded in the cashier's drawer until each cashier closes out at the end of the business day. At that time, a single treasurer's receipt is prepared for the entire day's ticket collections.

g. No Follow-up For Tickets Remanded To Court

The city does not track the disposition of the tickets remanded to court. For example, when the court imposes, alters, or dismisses a fine on a city parking infraction, no recording is made in the city's parking system. The transaction simply remains recorded as 'C' for court, without being reconciled to cash received. The system for tracking ticket dispositions from the court is an important control to preclude misappropriation of fine revenue. The system must be designed to ensure the city receives the correct amount of fines ordered by the court for all tickets.

Most of these weaknesses resulted from inadequate policies and procedures for controlling the parking ticket system, rather than the failure of employees to follow established procedures.

In each of the last three years, the city has received over \$250,000 in parking fine revenues. Much of these revenues was paid in cash. Without proper controls in place, the city exposes public funds to a significantly higher risk that errors and irregularities could occur and not be detected in a timely manner and further increases the risk of loss, misuse or abuse. However, we did not find any evidence that fraud or abuse of the system had occurred during the period audited.

We recommend the following controls be implemented:

- a. Duties should be segregated so no one employee has complete control over an entire transaction.
- b. All ticket numbers need to be accounted for sequentially, including voided transactions. A file copy of all manually issued tickets also needs to be retained.
- c. A control account should be implemented to verify and control all issuances, recordings, and adjustments of parking tickets.

- d. Procedures over dismissed tickets need to be improved as follows:
 - (1) Proper documentation should be retained for all modification or dismissal of fines.
 - (2) Only authorized individuals should approve modification or dismissals.
 - (3) City policy should be updated to better reflect under what specific circumstances dismissals or modifications will be allowed. Dismissals and payments should be separately identified in the parking system. The current system codes both as 'D'.
- e. Access to the parking system should be limited to employees who have parking system responsibilities. Access should be further restricted according to specific duties.
- f. All parking tickets should be promptly receipted, and two individuals should verify payments received by mail to ensure completeness of parking ticket revenues.
- g. Tickets remanded to court need to be reconciled with what is recorded in the parking system. The city should also record the court resolution of each parking infraction.

2. The City Of Vancouver Should Improve Controls Over Billings To Customers

The city bills customers for a variety of miscellaneous services, some of which include rentals, recreation classes, and building permits. The billing process for these services is decentralized, therefore, many city departments prepare their own individual invoices for these services. According to city records, at least 1,300 invoices were issued to departments for billing purposes from September 1993 through February 1995. We examined this system and found the following weaknesses:

a. Weak Segregation Of Duties

The same employee who has responsibility of collecting customers payments also prepares and records city treasurer's receipts for these same payments.

b. Inadequate Invoice Control

Our examination of the invoicing process revealed problems in the following areas:

(1) Invoice stock is not signed out to individual departments.

(2) Voided invoices are not retained or accounted for to help ensure the numerical integrity of the invoice number sequence.

(3) Overall sequential use of invoices is not monitored. During our testing, we discovered 96 missing invoices. City officials could not satisfactorily explain why the invoices were missing. As a result, we were unable to determine whether accounting was proper for these transactions. Additionally, several invoices were voided and reissued for the same service. We discovered one case, which was unknown to city officials, where a customer double paid for services because the city had inappropriately issued two invoices for the same service. None of these transactions were approved by a supervisor.

c. Receivables Control Account Not Used

The city does not use a control account for miscellaneous billings. Consequently, the city is unable to independently verify whether issuances, payments, and adjustments are accurately recorded and properly authorized.

d. Miscellaneous Accounts Receivable Not Reported

The total amount of these miscellaneous invoices owed the city are not recorded or reported on the city's financial statements. It was not cost effective for us to ascertain the exact amount of these receivables at the December 31, 1994, financial statement date. However, city staff determined that the balance was \$104,796, at May 12, 1995. Moreover, based on the audit procedures performed, we concluded that the failure to report these assets did not materially misstate the city's accounts receivables balance at December 31, 1994.

e. Unauthorized Adjustments Of Accounts

Adjustments are made to invoices by city departments without adequate documentation or approval, and amounts written off as uncollectible do not receive council approval. We discovered one invoice adjustment which reduced by \$625 the amount owed by a customer. This adjustment was made without

proper supporting documentation or approval by a supervisor.

f. Inadequate Policies And Procedures For Miscellaneous Billings And Receivables

The city does not have adequate written policies and procedures in place for effective operation, control, and management of this system.

Most of these control weaknesses were apparently caused by the lack of well defined policies and procedures.

According to city staff, in one month during calendar year 1994, payments were received in the amount of \$11,332, in another month \$47,529, on miscellaneous invoices of the type described. The lack of proper controls places public funds at risk and increases the possibility that errors or irregularities may occur and not be detected in a timely manner.

We recommend the following controls be implemented:

- a. Duties should be segregated between those receiving and recording payments.
- b. All invoices should be sequentially accounted for including voids.
- c. A control account needs to be implemented to verify and control all issuances, recordings, and adjustments to invoices.
- d. The city should recognize these miscellaneous accounts receivable on its financial statements.
- e. All adjustments to invoices should be approved by a supervisor and include adequate back up documentation.
- f. The city needs to develop policies and control procedures regarding these service billings.